MEDIA RELEASE

Corporate Tax Filing Season 2018

Companies to file tax returns by 30 Nov (or by 15 Dec for e-File)

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7 Nov 2018: The Inland Revenue Authority of Singapore (IRAS) reminds all companies, including those with no business activities or those in a loss position, to file their Corporate Income Tax Returns (Form C-S/ C) **by 30 Nov 2018, or 15 Dec 2018 if they file online.**

Compulsory e-Filing of Corporate Income Tax returns starts this year for companies with revenue of more than $10 million in Year of Assessment (YA) 2017. Implemented in phases, e-Filing of tax returns will be compulsory for companies with revenue exceeding $1 million in YA 2018 from next year and for all companies by 2020.

Benefits of e-Filing

e-File via myTax Portal using CorpPass

220,000 companies are required to file their Corporate Income Tax Returns (Form C-S/ C) for YA 2018. They must set up their CorpPass account to e-File their tax returns at **myTax Portal**.

To-date, about 70% of companies are CorpPass-ready. Companies that have not set up their CorpPass accounts are advised to do so early in order to e-File their tax returns on time. The **CorpPass account set-up guide** is available on the IRAS website.

Better Service Delivery through Digitalisation

Tax Filing Made Easy with Pre-Filled Information *New*

To improve the e-Filing experience, IRAS has pre-filled certain information in the Corporate Income Tax Returns from YA 2018 where available, as follows:

Pre-Filled Information in Form C-S/ C from YA 2018

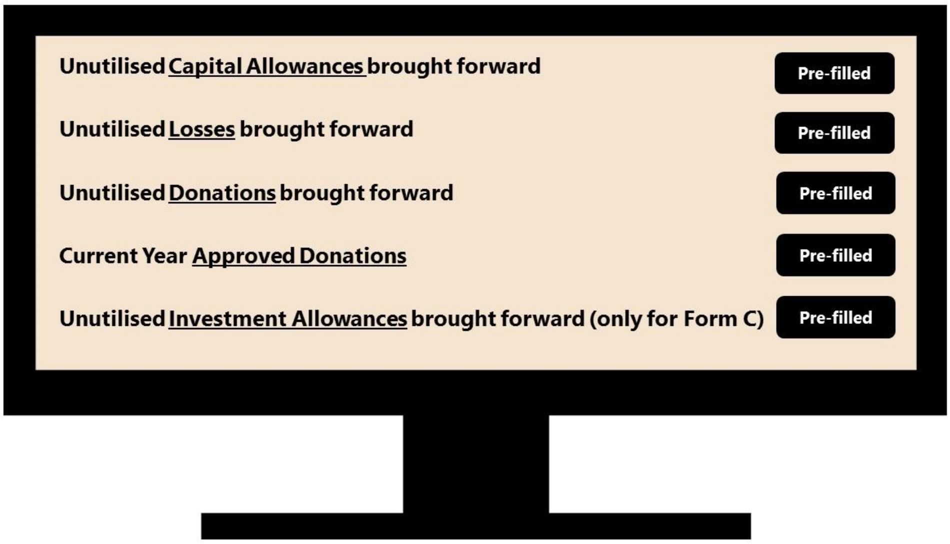

Figure 1

Common Schemes / Deductions and Filing Tips

For this Corporate Tax Filing season, IRAS would like to share filing tips and highlight some common schemes / tax deductions that are available to companies. For common mistakes companies should avoid, please refer to the **Annex**.

Filing Tips

1. **Submit the right form (Form C-S or Form C)**

   Form C-S is a simplified version of the Form C tax return. Companies that qualify for Form C-S do not need to submit their financial statements, tax computations and supporting schedules. ***However, companies should prepare these documents and submit them to IRAS upon request.***

   Qualifying conditions for using Form C-S include an annual revenue not exceeding $5 million and that the company must be incorporated in Singapore.

2. **Leveraging tools when preparing tax computation**

Companies may use IRAS' **Basic Tax Calculator (BTC)** to compute the amount of taxes they have to pay. The BTC guides companies through their tax computations and provides validation checks against common errors.

In addition to the BTC, companies may tap on third party solutions available in the market to prepare their tax computations and work out the taxes payable.

Common Schemes and Tax Deductions

Research and Development (R&D)

Companies that have conducted **Research & Development (R&D)** activities can claim R&D benefits on qualifying R&D expenditure incurred. For YA 2018, these benefits include enhanced tax deductions of up to 400% of the qualifying costs incurred subject to a cap of $400,000; or an option to convert up to $100,000 of qualifying R&D costs into a PIC cash payout at prescribed rates[1].

In 2017, about 670 companies claimed enhanced R&D benefits. Small and Medium Enterprises[2] (SMEs) comprise the majority of R&D beneficiaries, making up 88% of R&D claims. Based on the R&D claims processed, 79% of SME claims were granted full R&D benefits, with another 6% of claims adjusted by IRAS on the approved expenditure.

Companies can refer to **Examples of qualifying R&D** and **How to claim R&D tax benefits** on the IRAS website for more information.

[1] 40% for expenses incurred on or after 1 Aug 2016 or 60% for expenses incurred before 1 Aug 2016.
[2] Companies with revenue less than S$100 million.

The R&D claim requires companies to maintain **proper documentation** of their R&D projects to substantiate their R&D claims, such as the design of the experimental process to test potential solutions as well as test results.

Renovation and Refurbishment (R&R) works – Section 14Q Deduction

Companies can claim tax deduction on qualifying expenses on R&R works such as general lighting, sanitary fittings, floorings or windows, provided that such works do not affect the structure of the business premises. The tax deduction for qualifying R&R expenses should be claimed over three consecutive YAs, and is subject to a cap of $300,000 for every 3-year period.

In 2017, about 27,600 companies had claimed R&R tax deductions amounting to $650 million.

For more information on Section 14Q Deduction, companies can refer to the e-Tax Guide titled **Tax Deduction for Expenses Incurred on Renovation or Refurbishment Works Done to Business Premises and Common Mistakes on Claims for Section 14Q Deduction**.

Double Tax Deduction for Internationalisation (DTDi) Scheme

For YA 2018, companies can automatically enjoy a 200% tax deduction on the first $100,000 of qualifying expenses for the following four activities:

a) Overseas business development trips and missions;
b) Overseas investment study trips and missions;
c) Participation in overseas trade fairs; and
d) Participation in approved local trade fairs.

Tax deductions for such expenses are capped at two employees per trip/mission/fair. Examples of qualifying expenditure include airfare, accommodation and meals, insurance and freighting of exhibits/stands.

Companies that incur expenditure exceeding $100,000 on the above qualifying four activities, or expenditure on other activities, can claim double tax deductions subject to approval by Enterprise Singapore or Singapore Tourism Board.

File On-Time to Avoid Penalties for Late Filing

Companies that fail to file on time may receive a Notice of Assessment (NOA) based on IRAS' estimation of their income. Tax must be paid within one month from the date of the NOA. IRAS will review the estimated assessment upon receiving the tax returns if the companies object to the estimated assessments.

Companies that fail to file their tax returns for a particular YA for two years or more may face a penalty of double the tax assessed and a fine of up to $1,000. In default of payment, an imprisonment term of up to six months may be imposed.

Penalties for Submitting Incorrect Returns

Whilst most companies are voluntarily compliant, IRAS will take enforcement actions on companies that are not compliant. Companies that submit incorrect returns may face a penalty of up to two times the amount of tax undercharged. A fine of up to $5,000 or an imprisonment term of up to three years may also be imposed.

Inland Revenue Authority of Singapore

ANNEX

Common Mistakes to Avoid

IRAS would like to highlight some common mistakes that companies should avoid.

A. Wrongful claims of non-deductible expenses

- **Interest expenses** attributable to non-income producing assets or investments that produce exempt dividends (e.g. Singapore one-tier dividends) are not tax deductible.
- **Provisions** are generally not tax-deductible. For a specific provision that is revenue in nature, no deduction is allowed at the time of accrual unless the company can show that there is already a legal liability to pay at the time of accrual and the amount of provision is reasonably estimated. An example of a non-deductible provision is a general provision for stock obsolescence.
- Though **S-plated cars** may be purchased for business use, the cost of the car and the associated running expenses (e.g. parking fees, car insurance, repair and maintenance, as well as petrol costs) incurred on the car are strictly prohibited.

Companies may refer to the **Business Expenses** webpage on the IRAS website for a list of deductible and non-deductible expenses.

B. Failure to keep proper records and accounts

Companies with inadequate or improper record-keeping and accounting practices tend to understate sales, or overstate expenses in their tax returns. Companies must maintain proper records and keep the source documents (i.e. accounting records, bank statements that are connected to the business) for five years, even after the company has received its Notice of Assessment (i.e. Tax Bill) for the year. Failure to do so may result in expenses claimed being disallowed and/or penalties imposed.

For assistance with improved record-keeping and complying with tax obligations, companies may consider using accounting software that are listed on **IRAS' Accounting Software Register**.